UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): August 14, 2023

SACHEM CAPITAL CORP.
(Exact name of Registrant as specified in its charter)

New York	001-37997	81-3467779
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

568 East Main Street, Branford, Connecticut	06405
(Address of Principal Executive Office)	(Zip Code)

Registrant's telephone number, including area code (203) 433-4736

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker symbol(s)	Name of each exchange on which registered
Common Shares, par value $.001 per share	SACH	NYSE American LLC
7.125% Notes due 2024	SCCB	NYSE American LLC
6.875% Notes due 2024	SACC	NYSE American LLC
7.75% notes due 2025	SCCC	NYSE American LLC
6.00% notes due 2026	SCCD	NYSE American LLC
6.00% notes due 2027	SCCE	NYSE American LLC
7.125% notes due 2027	SCCF	NYSE American LLC
8.00% notes due 2027	SCCG	NYSE American LLC
7.75% Series A Cumulative Redeemable Preferred Stock, Liquidation Preference $25.00 per share	SACHPRA	NYSE American LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter)

Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Item 2.02. Results of Operations and Financial Condition.

On August 14, 2023, Sachem Capital Corp. (the "Company") issued a press release, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference, announcing its financial results for the three and six month periods ended June 30, 2023.

Item 7.01. Regulation FD Disclosure.

On August 15, 2023, the Company hosted a conference call for investors to discuss its financial condition and operating results for the three and six month periods ended June 30, 2023. A transcript of the call is attached hereto as Exhibit 99.2.

The information furnished pursuant to this Item 7.01 shall not be deemed to constitute an admission that such information is required to be furnished pursuant to Regulation FD or that such information or exhibits contain material information that is not otherwise publicly available. In addition, the Company does not assume any obligation to update such information in the future.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press release, dated August 14, 2023, announcing financial results for the three and six month periods ended June 30, 2023.
99.2	Transcript of investor conference call held on August 15, 2023.
104	Cover Page Interactive Data File (embedded with the Inline XBRL document).

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, furnished pursuant to Items 2.02 and 7.01, including Exhibits 99.1 and 99.2, respectively, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

* * * * *

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Sachem Capital Corp.

Dated: August 16, 2023

By: /s/John L. Villano
John L. Villano, CPA
President and Chief Executive Officer

Exhibit Index

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Exhibit 99.1

SACHEM CAPITAL REPORTS SECOND QUARTER 2023 RESULTS – PRODUCES RECORD REVENUE GROWTH OF 31.2% TO $16.5 MILLION

- Company to Host Webcast and Conference Call -

BRANFORD, Conn., August 14, 2023 (GLOBE NEWSWIRE) -- Sachem Capital Corp. (NYSE American: SACH) announced its financial results for the quarter ended June 30, 2023. The company will host a webcast and conference Tuesday, August 15, 2023 at 8:00 a.m. Eastern Time to discuss in greater detail its financial performance and operating results for the second quarter.

John Villano, CPA, Sachem Capital's Chief Executive Officer, stated, "We produced another strong quarter of earnings as we effectively navigated the volatility and uncertainty in the current economy. Armed with enhanced underwriting and a high-quality team, Sachem remains steadfast in its ability to originate loans that minimize risk and insulate our portfolio. We continue to explore opportunities to expand our lending business, despite the ongoing market dislocation. Going forward, we will continue to be judicious in our approach to capital deployment to provide our shareholders with long-term and sustainable risk-adjusted returns."

Results of operations for quarter ended June 30, 2023

Total revenue grew 31.2% to approximately $16.5 million, compared to $12.5 million for the quarter ended June 30, 2022. The growth in revenue was due primarily to an increase in lending operations, as well the rates that the Company was able to charge borrowers. For the second quarter 2023, interest income was approximately $11.9 million compared to approximately $10.4 million for the 2022 period.

Total operating costs and expenses for the quarter ended June 30, 2023 were approximately $10.8 million, compared to $7.3 million for 2022 period. Given the company's ongoing investments in its growth strategies, the largest contributor to this increase was interest and amortization of deferred financing costs, which were approximately $7.1 million in the quarter, compared to $5.2 million in 2022 period. The balance of the changes was attributable to (i) approximately $671,000 in general and administrative expenses, (ii) approximately $375,000 of compensation, fees and taxes, (iii) approximately $210,000 loss on sale of real estate, and (iv) approximately $183,000 of impairment loss.

SACHEM CAPITAL

Net income attributable to common shareholders for the three months ended June 30, 2023 was approximately $4.8 million, or $0.11 per share, compared to $4.3 million, or $0.12 per share for the three months ended June 30, 2022.

Balance Sheet

Total assets at June 30, 2023 grew 10.3% to approximately $624.0 million compared to $565.7 million at December 31, 2022. The rise in assets was due primarily to the growth in the company's mortgage loan portfolio and in its investment securities holdings, which increased approximately $46.0 million and $12.6 million, respectively. Total liabilities at June 30, 2023 were approximately $395.0 million compared to $348.0 million at December 31, 2022.

Total indebtedness at quarter end included approximately $281.2 million of notes payable (net of approximately $7.2 million of deferred financing costs), approximately $35.9 million balance on the margin loan account with Wells Fargo Advisors and on the revolving credit facility with Needham Bank, approximately $50.5 million outstanding on the master repurchase financing facility with an affiliate of Churchill Real Estate, approximately $1.7 million outstanding on the mortgage loan with New Haven Bank, and approximately a $6.2 million secured note payable with PeoplesBank.

Total shareholders' equity at June 30, 2023 rose $11.3 million to approximately $229.0 million compared to $217.7 million at December 31, 2022. The change was primarily due to additional paid-in capital of approximately $10.4 million.

Dividends

Subsequent to quarter end, on August 11, 2023, the company paid a quarterly dividend of $0.13 per share to shareholders of record as of the close of trading on the NYSE American on August 7, 2023.

The company currently operates and qualifies as a Real Estate Investment Trust (REIT) for federal income taxes and intends to continue to qualify and operate as a REIT. Under federal income tax rules, a REIT is required to distribute a minimum of 90% of taxable income each year to its shareholders, and the company intends to comply with this requirement for the current year.

Investor Conference Webcast and Call

The company will host a webcast and conference call tomorrow, Tuesday, August 15, 2023 at 8:00 a.m. Eastern Time, to discuss in greater detail its financial results for the quarter ended June 30, 2023. A webcast of the call may be accessed on Sachem's website at https://ir.sachemcapitalcorp.com/ir-calendar.

Interested parties can access the conference call via telephone by dialing toll free 1-877-704-4453 for U.S. callers or +1 201-389-0920 for international callers.

Replay

The webcast will also be archived on the company's website and a telephone replay of the call will be available through Tuesday, August 29, 2023 and can be accessed by dialing 1-844-512-2921 for U.S. callers or +1 412-317-6671 for international callers and by entering replay passcode: 13739152.

About Sachem Capital Corp

Sachem Capital Corp. is a mortgage REIT that specializes in originating, underwriting, funding, servicing, and managing a portfolio of loans secured by first mortgages on real property. It offers short-term (i.e., three years or less) secured, non-banking loan to real estate investors to fund their acquisition, renovation, development, rehabilitation, or improvement of properties. The company's primary underwriting criteria is a conservative loan to value ratio. The properties securing the loans are generally classified as residential or commercial real estate and, typically, are held for resale or investment. Each loan is secured by a first mortgage lien on real estate and is personally guaranteed by the principal(s) of the borrower. The company will also make opportunistic real estate purchases apart from its lending activities.

Forward Looking Statements

This press release may contain forward-looking statements. All statements other than statements of historical facts contained in this press release, including statements regarding our future results of operations and financial position, strategy and plans, and our expectations for future operations, are forward-looking statements. The words "anticipate," "estimate," "expect," "project," "plan," "seek," "intend," "believe," "may," "might," "will," "should," "could," "likely," "continue," "design," and the negative of such terms and other words and terms of similar expressions are intended to identify forward-looking statements. These forward-looking statements are based primarily on management's current expectations and projections about future events and trends that management believes may affect the company's financial condition, results of operations, strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to several risks, uncertainties and assumptions as described in the Annual Report on Form 10-K for 2022 filed with the U.S. Securities and Exchange Commission on March 31, 2023, as supplemented by subsequently filed Quarter Reports on Form 10-Q. Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this press release may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Although the company believes that the expectations reflected in the forward-looking statements are reasonable, the company cannot guarantee future results, level of activity, performance, or achievements. In addition, neither the company nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. The company disclaims any duty to update any of these forward-looking statements. All forward-looking statements attributable to the company are expressly qualified in their entirety by these cautionary statements as well as others made in this press release. You should evaluate all forward-looking statements made by the company in the context of these risks and uncertainties.

Investor & Media Contact:
Email: investors@sachemcapitalcorp.com

SACHEM CAPITAL

SACHEM CAPITAL CORP.
CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Assets		
Cash and cash equivalents	$ 15,128,984	$ 23,713,097
Investment securities	37,201,120	24,576,462
Mortgages receivable, net	506,653,156	460,633,268
Interest and fees receivable	7,736,475	6,309,845
Due from borrowers	6,765,910	5,276,967
Real estate owned	4,998,934	5,216,149
Investments in partnerships	35,399,190	30,831,180
Property and equipment, net	4,534,711	4,121,721
Other assets	5,612,286	4,983,173
Total assets	$ 624,030,766	$ 565,661,862
Liabilities and Shareholders' Equity		
Liabilities:		
Unsecured notes payable (net of deferred financing costs of $7,223,456 and $8,352,597)	$ 281,178,294	$ 280,049,153
Secured note payable	6,224,000	—
Repurchase facility	50,509,605	42,533,466
Mortgage payable	1,649,167	750,000
Line of credit	35,900,737	3,587,894
Accrued dividends payable	—	5,342,160
Accounts payable and accrued liabilities	2,124,028	1,439,219
Advances from borrowers	12,586,438	9,892,164
Deferred revenue	4,815,702	4,360,452
Total liabilities	394,987,971	347,954,508
Commitments and Contingencies		
Shareholders' equity:		
Preferred shares - $.001 par value; 5,000,000 shares authorized; 2,903,000 shares designated as Series A Preferred Stock; 1,928,000 and 1,903,000 shares of Series A Preferred Stock issued and outstanding at June 30, 2023 and December 31, 2022, respectively	1,928	1,903
Common stock - $.001 par value; 200,000,000 shares authorized; 43,822,050 and 41,093,536 issued and outstanding at June 30, 2023 and December 31, 2022, respectively	43,822	41,094
Paid-in capital	236,595,201	226,220,990
Accumulated other comprehensive loss	(376,078)	(561,490)
Accumulated deficit	(7,222,078)	(7,995,143)
Total shareholders' equity	229,042,795	217,707,354
Total liabilities and shareholders' equity	$ 624,030,766	$ 565,661,862

SACHEM CAPITAL

SACHEM CAPITAL CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Revenue:				
Interest income from loans	$ 11,898,484	$ 10,433,572	$ 22,881,810	$ 18,944,947
Investment gain, net	333,873	230,602	608,669	347,940
Income from partnership investments	1,006,477	317,004	1,556,200	589,493
Origination and modification fees, net	1,764,262	2,246,775	3,240,183	4,090,616
Fee and other income	1,570,976	798,609	2,278,581	1,407,172
Unrealized gain (loss) on investment securities	(115,789)	(1,478,432)	600,600	(2,530,662)
Total revenue	16,458,283	12,548,130	31,166,043	22,849,506
Operating costs and expenses:				
Interest and amortization of deferred financing costs	7,138,940	5,209,865	14,011,907	9,108,253
Compensation, fees and taxes	1,562,465	1,187,940	3,341,783	2,181,903
General and administrative expenses	1,317,348	645,871	2,215,463	1,277,819
Other expenses	212,822	130,060	296,545	229,331
(Gain) Loss on sale of real estate	21,239	(188,182)	(126,861)	(122,343)
Provision for Credit Losses	94,932	105,000	196,447	105,000
Impairment loss	412,500	230,000	412,500	490,500
Total operating costs and expenses	10,760,246	7,320,554	20,347,784	13,270,463
Net income	5,698,037	5,227,576	10,818,259	9,579,043
Preferred stock dividend	(924,762)	(921,766)	(1,849,525)	(1,843,531)
Net income attributable to common shareholders	4,773,275	4,305,810	8,968,734	7,735,512
Other comprehensive loss				
Unrealized gain (loss) on investment securities	93,775	(192,764)	185,412	50,044
Comprehensive income	$ 4,867,050	$ 4,113,046	$ 9,154,146	$ 7,785,556
Basic and diluted net income per common share outstanding:				
Basic	$ 0.11	$ 0.12	$ 0.21	$ 0.22
Diluted	$ 0.11	$ 0.12	$ 0.21	$ 0.22
Weighted average number of common shares outstanding:				
Basic	43,844,285	36,373,570	43,321,303	35,630,455
Diluted	43,844,285	36,373,877	43,321,303	35,636,374

SACHEM CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 10,818,259	$ 9,579,043
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs and bond discount	1,224,324	1,108,675
Depreciation expense	109,497	44,478
Stock based compensation	395,709	230,167
Provision for credit losses	196,447	105,000
Impairment loss	412,500	490,500
(Gain) Loss on sale of real estate	(126,861)	(122,343)
Unrealized (gain) loss on investment securities	(600,600)	2,530,662
Gain on sale of investment securities	24,285	148,565
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Interest and fees receivable	(1,455,807)	(1,620,733)
Other assets - miscellaneous	(863,887)	(393,624)
Due from borrowers	(1,521,226)	(1,102,371)
Other assets - prepaid expenses	163,617	101,149
(Decrease) increase in:		
Accrued Interest	168,919	301,495
Accounts payable and accrued liabilities	(9,596)	(323,887)
Deferred revenue	455,250	(15,493)
Advances from borrowers	2,694,274	(3,729,817)
Total adjustments	1,266,845	(2,247,577)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,085,104	7,331,466
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(18,346,504)	(36,088,438)
Proceeds from the sale of investment securities	6,560,095	59,710,599
Purchase of interests in investment partnerships, net	(4,568,010)	(13,561,132)
Proceeds from sale of real estate owned	191,274	1,397,502
Acquisitions of and improvements to real estate owned, net	(180,146)	(19,917)
Purchase of property and equipment	(722,487)	(815,339)
Principal disbursements for mortgages receivable	(114,468,454)	(191,971,926)
Principal collections on mortgages receivable	66,355,505	60,895,362
Other assets	19,927	(114,244)
NET CASH USED FOR INVESTING ACTIVITIES	(65,158,800)	(120,567,533)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (repayment of) line of credit	32,312,843	(9,771,376)
Net proceeds from repurchase facility	7,976,139	20,285,241
Proceeds from mortgage	899,167	—
Accounts payable and accrued liabilities - principal payments on other notes	(6,014)	(13,281)
Dividends paid on Common Stock	(11,048,257)	(8,253,864)
Dividends paid on Preferred Stock	(1,849,525)	(1,843,531)
Proceeds from issuance of common shares, net of expenses	9,690,580	21,230,975
Common Stock buyback	(226,327)	—
Proceeds from issuance of Series A Preferred Stock, net of expenses	516,977	—
Gross proceeds from issuance of fixed rate notes	—	81,875,000
Gross proceeds from issuance of secured note	6,224,000	—
Financings costs incurred in connection with fixed rate notes	—	(3,081,500)
NET CASH PROVIDED BY FINANCING ACTIVITIES	44,489,583	100,427,664
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,584,113)	(12,808,403)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	23,713,097	41,938,897
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 15,128,984	$ 29,130,494

Exhibit 99.2

15-Aug-2023

Sachem Capital Corp. (SACH)

Q2 2023 Earnings Call

FACTSET: callstreet

1-877-FACTSET www.callstreet.com

Total Pages: 10

CORPORATE PARTICIPANTS

John L. Villano
Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem Capital Corp

OTHER PARTICIPANTS

Tyler Batory
Analyst, Oppenheimer & Co., Inc.

Christopher Nolan
Analyst, Ladenburg Thalmann & Co., Inc.

Matthew Erdner
Analyst, JonesTrading Institutional Services LLC

Chris Muller
Analyst, JMP Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Sachem Capital Corp. Second Quarter 2023 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, [ph] Kevin Reed (00:32), Investor Relations. Thank you, sir. You may begin.

Unverified Participant

Good morning, everyone, and thank you for joining Sachem Capital Corp.'s second quarter 2023 conference call. On the call from Sachem Capital today is Chief Executive Officer and Interim Chief Financial Officer, John Villano, CPA; as well as Vice President of Finance and Operations Nick Marcello. Yesterday, the company announced its operating results for the quarter ended June 30, 2023 and its financial condition as of that date. The press release is posted on the company's website, www.sachemcapitalcorp.com. In addition, the company filed its quarter end Form 10-Q with the US Securities and Exchange Commission and can be accessed on the company's website as well as the SEC's website at www.sec.gov. If you have any questions after the call or would like any additional information about the company, please visit our website.

As a reminder, remarks made on today's conference call may include forward-looking statements. Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those discussed today. We do not undertake any obligation to update our forward-looking statements in light of new information or future events. For a more detailed discussion of the factors that may affect the company's results, please refer to our earnings release for this quarter and to our most recent SEC filings.

During this call, we will be discussing certain non-GAAP financial measures. More information about these non-GAAP financial measures and reconciliations to the most directly comparable GAAP financial measures are contained in our SEC filings.

With that, I'll now turn the call over to John. John?

John L. Villano

Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem Capital Corp.

Thank you, Kevin, and thanks to everyone for joining us today.

Sachem produced another solid quarter of revenue and earnings growth while continuing to invest in our business. We accomplished this in a difficult operating environment marked by ongoing Federal Reserve rate hikes, banking sector pressures, and lingering inflation. Importantly, Sachem has remained disciplined in our approach and our second quarter results were quite strong. We achieved record revenue growth of more than 31% to $16.5 million compared to the same quarter of 2022 and net income attributable to common shareholders of $4.8 million or $0.11 per share. These results highlight the deliberate and prudent approach we apply to our underwriting which, coupled with the resiliency of our loan portfolio, has allowed our performance to remain steady amid these ever-evolving economic conditions.

As recent headlines confirm, new loan originations in the commercial and residential real estate sector have slowed dramatically in the wake of a rapid rise in interest rates over the past 18 months. As larger banks pull back, we view this as an opportunity to grow market share and continue to expand the Sachem platform. As we discussed last quarter, while these factors provide opportunity, we will not veer from our proven and disciplined approach to our sourcing and underwriting of loan opportunities. Given our ongoing cautionary outlook, our originations remain conservative and below recent historical levels. In the second quarter, we funded approximately $55.6 million of mortgage loans, including loan modifications and construction draws.

While our originations have leveled off similar to the rest of the industry, we are seeing a strong pipeline of new requests for modifications and construction loans. As noted over the past several quarters, it has been our practice to lend to borrowers with strong credit profiles and a proven track record of performance so we can be opportunistic and put capital to work when ideal situations arise. Our proactive approach during financial market dislocations will create opportunities to grow our already robust pipeline of potential funding opportunities. Due to our disciplined stance, we have maintained strong liquidity and are positioned to selectively capitalize on situations where banks and other smaller, less capitalized competitors are unwilling or unable to perform. Our focus remains primarily on residential and multifamily loans where housing prices and demand have remained relatively stable.

I would like to remind everyone of our strategic strengths that position us well in the current environment. First, Sachem Capital was born out of the great financial crisis and has a deep, experienced and battle-tested management team. We have underwritten over $1 billion of loans to many different lending cycles and will use that experience as a guide to navigate our path forward. Second, we have a diversified mortgage portfolio across multifamily, single family, fix and flip loans and commercial real estate projects. Our loan portfolio is spread across 15 states. And as we have stated in the past, it is our intent to grow responsibly in the Southeast.

Our loans are generally short term in nature. As of quarter end, approximately 88.3% of the loans in our portfolio had a term of one year or less, allowing us to reprice capital quickly to better protect our margins. Importantly, we have a strong balance sheet with $624 million in assets, including $52.3 million in cash, cash equivalents and investment securities, offset with $382.7 million in total debt outstanding. In addition, we have available liquidity of approximately $37.9 million in our credit facilities. This liquidity and availability provide us the financial capacity to capture market share in an opportunistic and selective manner.

Let me touch on a few key financial metrics beyond the strong revenue growth that I mentioned earlier. Total operating cost and expenses for the quarter were approximately $10.8 million compared to approximately $7.3 million for the second quarter of 2022. The change was due to higher interest and amortization of deferred financing costs, G&A and compensation fees and taxes. Interest and amortization of deferred financing costs increased from approximately $5.2 million in the second quarter of 2022 to approximately $7.1 million this quarter, a change of approximately $1.9 million or 37%. Net income attributable to common shareholders for the quarter was approximately $4.8 million compared to approximately $4.3 million for the second quarter of 2022. Earnings per share for the second quarter of 2023 were $0.11 versus $0.12 in the second quarter of 2022.

With regard to our portfolio, as of June 30, 2023, we had 360 loans with a total principal balance of $506.7 million with a weighted average interest rate of 12.17% not inclusive of fees earned. We had loans with a principal balance of approximately $96.4 million in non-accrual status, and there are 51 loans in pending foreclosure by the company, representing approximately $47.2 million of unpaid principal. During the quarter, the company modified or extended a total of 62 loans. These modifications resulted in gross fee income of approximately $2 million, supplementing our reduced origination fee income.

In the case of each of these loans, we believe the value of the collateral exceeds the total amount due. As we have discussed in the past, a troubled or distressed loan rarely loses 100% of its value and, usually, over the term of the loan when interest income, origination, and other fees are considered, overall transaction is profitable. Importantly, we have the expertise to work through these issues given our successful track record through prior cycles. For the six months ended June 30, 2023, the company impaired or wrote down approximately $413,000 of loans and had a gain on the sales of real estate [ph] owned (09:26) of $126,000. In addition, we recorded a provision for our future credit losses in accordance with CECL guidelines of $196,000.

Turning to our balance sheet. As of June 30, 2023, real estate owned was approximately $5 million compared to $5.2 million at year-end 2022. Specifically, real estate owned included approximately $818,000 held for rental and approximately $4.2 million held for sale. With regard to our dividend, we paid a $0.13 per share dividend paid on August 11, 2023 to shareholders of record as of August 7, 2023. This compares to second quarter net income of $0.11 per share. The difference was primarily related to our timing of certain revenues and originations. As a REIT, we are required to pay out 90% of taxable income per year to our shareholders. And in this environment, the board will continue to evaluate the distribution policy on a regular basis, balancing our performance with the importance of maintaining financial flexibility.

In closing, we will maintain our disciplined and cautionary approach to managing the business, and we'll continue to invest in Sachem for the future. We foresee the possibility of large cash balances and limited lending operations, potentially providing a near-term drag on earnings. While we do not provide forward-looking financial guidance, we believe maintaining our cautious stance is the best strategy to create long-term, sustained value for shareholders as the economic environment evolves. Our management team has invested through many different economic cycles with a clear eye on asset protection and shareholder value. With experience gained through each cycle, we have built a resilient, well-diversified portfolio, and a fortified balance sheet to navigate the current volatility and set us up to drive long-term value for our shareholders.

With that, we will open the call for questions. Operator?

QUESTION AND ANSWER SECTION

Operator: At this time, we will be conducting a question-and-answer session. [Operator Instructions] Our first question is from Tyler Batory with Oppenheimer & Co. Please proceed with your question.

Tyler Batory
Analyst, Oppenheimer & Co., Inc.

Q

Hey. Good morning. Thank you. So, first question for me is just interested what you're seeing, loan pipeline, what that looks like today compared with a few quarters ago, where you're seeing the most opportunities. And it sounds like you're still keeping your cautious stance. Should we expect the origination activity to remain pretty consistent with where you were in the first half of the year for the rest of this year?

John L. Villano
Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem Capital Corp.

A

Good morning, Tyler. First, our pipeline is still very, very robust. Its creation and sustainability is really based on banks and our competitors' inability or fear to fund our types of business-purpose loans. We expect our pipeline to remain unbelievably large really through the end of this year. And with that, we are unbelievably selective in picking what we think are the best opportunities of the bunch. And these loans in our pipeline are from all over the country. And as we've discussed in the past, we are doing our very best to stay on the eastern seaboard. We're still very strong in New England and Southeast part of the US.

Opportunities exist for us everywhere. The bank's failure to respond to borrowers' needs have turned over a lot of their better-paying customers to us, and we try to take advantage of them in terms of providing the services that they so desperately need to either start or finish projects. Hopefully, in the long run, we acquire a customer. But for right now, there is a steady stream of good quality borrowers and great projects.

With respect to origination volume, as we talked in our release here, we have seen, at our end, a reduction in funding. And it's kind of by design. We have limited amounts of liquidity as does everyone in our space. We have sufficient working capital. We are doing our very best not to spend every penny. So, we're playing cautious. I'd like to just drop a couple of numbers in here that I think you may find useful.
For the first six months of this year, 2023, we funded $114,500,000 in loans, and we received $66 million in payoffs. And if we're to compare that to the year-ago period, around here, through the year-ago period where we funded $192 million of loans with $61 million of payoffs, it will give you the feel of how we're condensing our workload, that we're picking better and better deals and doing our very best to conserve our capital until liquidity improves in our industry.

Tyler Batory
Analyst, Oppenheimer & Co., Inc.

Q

Okay. That's very helpful commentary there. My follow-up question, just in terms of loans and foreclosure loan modifications, your potential distress out there, just talk about kind of what you're seeing with those two items. I mean, is that something that you're maybe trying to lower the next couple of quarters given you're being a little bit more selective in terms of the capital that you're deploying?

John L. Villano
Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem Capital Corp.

A

That's a good question and, of course, a very important topic. We have a bunch of foreclosures, and we have a bunch of modifications and extensions as I discussed on our call. These numbers will start to wind down. These are loans that were originated during a very robust real estate cycle. There was a time where we're doing, given a given quarter, 125 loans, and those loans are looking for a home, which is our biggest problem. When the term of our loan runs its course, we have a choice, right? I can either foreclose, send a demand letter and foreclose, or we can extend and modify. And our team is really good at figuring out is our borrower doing what they should, what they agreed to do? Have they maintained the property? Is the construction on process?

If, in fact, the borrower has done as agreed, we can extend and modify his loan for another year. We are seeing an awful lot of this and it's really a result of our people not having a place to go where they have completed projects and no bank financing to assist them really with lower payments and long-term debt capital. So to be very specific, we see this, I don't want to say coming to an end, that would not be fair. We do see the amount of modifications and extensions slowing down tremendously towards the end of the year. Remember our years -our loans are one year. We were very busy last September and December, and we started to slow down in March. So, we have we have another few months of this.

But I just want to give you -- I just want to reiterate what was said in the call that we modified 62 loans this quarter and the modifications resulted in a gross $2 million of additional fee income to Sachem. And this income is really supporting our lower level of originations. And...

[indiscernible] (18:30)

John L. Villano
Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem

A

Okay. Thank you.

Tyler Batory
Analyst, Oppenheimer & Co., Inc.

Q

Sorry. Go ahead. Okay. All right. Thank you, John. Appreciate it.

John L. Villano
Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem

A

No, no. Okay, Tyler. Thank you.

Operator: Our next question comes from Christopher Nolan with Ladenburg Thalmann. Please proceed with your question.

Christopher Nolan
Analyst, Ladenburg Thalmann & Co., Inc.

Q

John, what sort of leverage level are you targeting? And given the inverted yield curve, do you see any sort of refinance opportunities at lower rate potentially?

John L. Villano
Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem

A

Okay. So, let's talk about leverage. Overall, our leverage level, I'm really not able to increase our leverage dramatically at this point. And there's really two reasons for that. One is finding affordable debt capital is very difficult and finding an amount that would be beneficial to us. Second is the covenants on our short-term notes. So, we are limited to a 1.5 times asset coverage ratio which it's a good thing and a bad thing. It allows us to walk at a good pace. It doesn't allow us to sprint and get ahead of ourselves. So we did increase a little bit of debt in the quarter. We are always looking to raise equity. In fact, we have utilized our ATM during the first six months. I'm very sparing with level, raising about $10 million during the first six months. So, we continue to balance debt and equity, and it's all about having a real fortress of a balance sheet.

With respect to yields, first and foremost, we don't have any pricing pressure at the moment. We still have a great spread on our loan products compared to our weighted cost of capital. We have the ability to put a lot of money to work with really great spreads still, not as good as they were two years ago, but still very, very good. While we would hope the rise in interest rates would kind of slow down here, I think if it goes too far, I mean we could have a crack. But as of right now, margins are good. We are always looking for affordable debt capital. I feel like we're a few months away from finding that.

Christopher Nolan
Analyst, Ladenburg Thalmann & Co., Inc. Q

Okay. Thank you.

Operator: Our next question comes from Matthew Erdner with JonesTrading. Please proceed with your question.

Matthew Erdner
Analyst, JonesTrading Institutional Services LLC Q

Hey. Good morning. Thanks for taking the question. So, you mentioned that you're seeing good spreads still. What are those spreads looking like? And then can you also describe what a typical modification looks like for you, guys? You mentioned a year extension, but are you requiring more equity capital to be put in? Just what are the requirements there? Thanks.

John L. Villano
Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem A

Sure. So in terms of loan spreads, our cost of capital is between 8.5% and 9%. We are currently company-wide lending at a minimum of 13% and 2%, pushing higher, mostly 13% and 3%. The 3% is the origination. So, our margins are very good. These are one-year loans. This is not -- so, we were 12% and 2% when rates were much lower, borrowing at 6% with our unsecured notes. So, our margins have been compressed, but it has not been devastating, okay?

Now, our typical modification, so there's two kinds. Around here, it's does the mod need new capital from us or is it just a time mod, meaning projects done, projects cash flowing, and our borrower needs another year or six months to find suitable refinancing or sale? The easy ones are the time mods. We have a completed project. It's a timing issue. I talked about the banks and our competitors' failure to lend. Their fear is causing us a little bit of a heartache and a heartache for our borrowers as well who have to incur additional costs. Our heartache is that I have to explain this stuff every quarter.

The other mods where our project may have run over budget due to material, labor, whatever, lack of labor. Those require a little more effort on our part, and our team will go in and really underwrite the loan again, not as full, but mostly, mostly complete. And in that regard, we determine if the loan is a keeper, meaning our borrower has done as agreed within his loan docs, or is our borrower so far off track we need to put an end to it. So, if the deal requires more capital and we see light at the end of the tunnel, we will provide capital, complete the project, maybe provide some liquidity to the borrower so we can get three or four months down the road to complete a sale. All right. Those are the differences. Like I said, we cleaned up [ph] 62 (24:07) of those during the quarter. I expect there to be another [ph] 62 (24:11). And last quarter, we earned $2 million in gross fees.

Matthew Erdner
Analyst, JonesTrading Institutional Services LLC

Q

Yeah. That's helpful. And then as a follow-up, of the ones that you're not able to clean up and you take on as real estate-owned, what is the timeline there, how long it's going to be on the balance sheet and what have you guys been seeing in terms of sales and how quickly you can get out of these properties?

John L. Villano
Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem

A

Unfortunately, in New England, the foreclosure process is absolutely horrendous. Most of our foreclosures are resolved before we have to take back a property, okay? So, it's unbelievably hard to believe. But as you can see, our REO balance from quarter to quarter is relatively stable. It's $5.2 million a year ago. It's $5 million now. I don't want to say that I'm happy having $5 million of REO, it's just the ebb and flow of the product.

Trying to add more color there. They resolve themselves basically, Matt, and mostly, if it comes back to us, we have a stable of almost 500 developers that we circulate the product, the [ph] REO too (25:34). So, we have built-in buyers. And as you could check -- as you can see in our historic filings, most of our impairments are relatively small when you consider the amount of loans in our portfolio. So, these problems kind of resolve themselves. Not to say that I'm not going to get a punch in the nose somewhere along the way here. But historically, our loss provision provisions have been relatively low. I'll even say unbelievably low compared to our peers. We expect that to continue. So all I can really say, these things kind of work themselves out. If our underwriters do what they're supposed to do, it's more a disclosure item than a fire sale.

Matthew Erdner
Analyst, JonesTrading Institutional Services LLC

Q

That's helpful information. Thank you.

John L. Villano
Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem

A

Okay.

Operator: Our next question comes from Chris Muller with JMP Securities. Please proceed with your question.

Chris Muller
Analyst, JMP Securities LLC

Q

Hey, John. Thanks for taking the question. So, to your comment on the pullback from the banks, does this represent a short-term opportunity while they're out of the market or do you think you guys can win some longer term business here?

John L. Villano
Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem Capital Corp.
A

I don't -- the banks always guess wrong, right? They're pulling back. This is an opportunity for us to maybe garner some of the better borrowers, some of the better projects, clearly, be able to price aggressively. I think the banks here will come around at some point. But they did this during COVID. And we were just a couple months into COVID and we saw that there was an opportunity for us to build our business, and we did [indiscernible] (27:29). This is looking and feeling the same way.

And what I'm seeing here, Chris, is that the banks are afraid. They're afraid of interest rates. And we have a very interesting situation with respect to the rise in interest rates and the failure of real estate prices to fall. And that just leads me down a path of, hey, there is real value. The value is created, in my opinion, with new construction and new building codes, labor, materials. These things are so expensive that it's raising value across the board for all real estate, maybe except for office. The idea here is that older properties in need of repair are being bid up because the cost to build new is so expensive. And I think the banks are missing the boat on that. So again, it's my opinion. We'll see what the market shows me couple of months from now. But we like to zig when they zag a little bit.

Chris Muller
Analyst, JMP Securities LLC
Q

Yeah. That's helpful. And then the other follow-up I have, so I see some subsequent ATM issuance in the 10-Q, is that just to support the increased pipeline?

John L. Villano
Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem Capital Corp.
A

Well, yes, it is. It's part of the balancing between debt and equity [indiscernible] (29:05) all the time. We don't want to put pressure on our covenants. We want to have capital -- free capital should we need it or we see an opportunity. But when -- we have certain periods during the quarter where we can access the ATM. It's non-blackout. And if we feel that there's a market for us to raise some capital, we will go and do that.

Now, let me be very clear. I'm not happy raising capital at $3.75. All right. So, I just want that to ring loud and clear. Sometimes, we have to, and it's not because things are on a fire sale. It's because we're doing that very delicate balance. The dance between debt and equity.

Chris Muller
Analyst, JMP Securities LLC
Q

Got it. Appreciate your comments.

John L. Villano
Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem Capital Corp.
A

Okay.

Operator: There are no further questions at this time. I would now like to turn the floor back over to John Villano for closing comments.

John L. Villano
Chairman, Chief Executive Officer, President & Interim Chief Financial Officer, Sachem Capital Corp.

Thank you for the questions. Thank you, all, for joining us today. I look forward to updating you next quarter.

Operator: This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation